KOCE – TV FOUNDATION
dba PBS SoCal
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
KOCE - TV Foundation dba PBS SoCal
(A Nonprofit Organization)
Costa Mesa, California

Report on the Financial Statements

We have audited the accompanying financial statements of KOCE - TV Foundation dba PBS SoCal ("The Foundation") which comprise the statements of financial position as of June 30, 2015 and 2014, the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

SingerLewak LLP

SingerLewak LLP

Irvine, California
October 26, 2015

KOCE – TV FOUNDATION
dba PBS SoCal
(A NONPROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
June 30,

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	$ 2,657,954	$ 2,104,215
Pledges receivable	72,619	102,820
Grants receivable	92,652	177,686
Accounts receivable	239,865	392,241
Prepaid expenses and other current assets	299,661	254,643
Total current assets	3,362,751	3,031,605
Investment in partnership	5,000	5,000
Broadcast license, net of accumulated amortization	13,939,575	13,939,575
Property and equipment, net of accumulated depreciation	1,968,407	2,411,768
Asset not in use	467,500	467,500
Restricted cash	500,322	500,312
Deposits	67,755	56,603
Total assets	**$ 20,311,310**	**$ 20,412,363**

LIABILITIES AND NET ASSETS

	2015	2014
Current liabilities		
Accounts payable and accrued expenses	$ 1,180,778	$ 952,928
Notes payable - financial institutions, current portion	301,875	287,289
Note payable - Coast Community College District, current portion	750,000	687,500
Advances	328,065	427,480
Total current liabilities	2,560,718	2,355,197
Line of credit	500,000	500,000
Notes payable - financial institutions, net of current portion	3,440,701	3,743,172
Note payable - Coast Community College District, net of current portion	8,632,063	8,919,068
Subordinated notes payable - Public Broadcasting Service	4,628,981	4,628,981
Total liabilities	19,762,463	20,146,418
Commitments and contingencies (Note 13)		
Net assets		
Unrestricted	451,366	142,494
Temporarily restricted	97,481	123,451
Total net assets	548,847	265,945
Total liabilities and net assets	**$ 20,311,310**	**$ 20,412,363**

The accompanying notes are an integral part of these financial statements.

KOCE – TV FOUNDATION
dba PBS SoCal
(A NONPROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
For the Years Ended June 30,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions, grants and contracts	$ 14,884,686	$ 481,926	$ 15,366,612	$ 12,987,561	$ 716,643	$ 13,704,204
Royalty revenue	-	-	-	19,549	-	19,549
Interest and dividends	5,257	-	5,257	26,293	-	26,293
Special events, net of expenses of $510,220 and $399,217, respectively	419,892	-	419,892	649,864	-	649,864
Educational programs	629,531	-	629,531	571,260	-	571,260
Miscellaneous	381,050	-	381,050	345,623	-	345,623
Net assets released from restrictions	507,896	(507,896)	-	1,076,943	(1,076,943)	-
Total support and revenue	16,828,312	(25,970)	16,802,342	15,677,093	(360,300)	15,316,793
Functional expenses						
Program services						
Programming and production	5,977,224	-	5,977,224	6,411,637	-	6,411,637
Broadcasting	3,387,630	-	3,387,630	3,091,751	-	3,091,751
Underwriting and grant solicitation	1,089,408	-	1,089,408	805,205	-	805,205
Total program services	10,454,262	-	10,454,262	10,308,593	-	10,308,593
Supporting services						
Fundraising and development	3,101,404	-	3,101,404	2,506,459	-	2,506,459
General and administrative	2,963,774	-	2,963,774	2,476,178	-	2,476,178
Total functional expenses	16,519,440	-	16,519,440	15,291,230	-	15,291,230
Change in net assets	308,872	(25,970)	282,902	385,863	(360,300)	25,563
Net assets (deficit), beginning of year	142,494	123,451	265,945	(243,369)	483,751	240,382
Net assets, end of year	**$ 451,366**	**$ 97,481**	**$ 548,847**	**$ 142,494**	**$ 123,451**	**$ 265,945**

The accompanying notes are an integral part of these financial statements.

KOCE – TV FOUNDATION
dba PBS SoCal
(A NONPROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 282,902	$ 25,563
Adjustments to reconcile change in net assets to net cash flows provided by operating activities		
Depreciation and amortization of property and equipment	659,218	671,901
Amortization of discount on note payable - CCCD	462,995	468,423
(Increase) decrease in		
Pledges receivable	30,201	357,770
Grants receivable	85,034	(147,575)
Accounts receivable	152,376	(15,959)
Prepaid expenses and other current assets	(45,018)	(11,648)
Deposits	(11,152)	(11,207)
Increase (decrease) in		
Accounts payable and accrued expenses	227,850	293,537
Advances	(99,415)	(30,538)
Net cash flows provided by operating activities	1,744,991	1,600,267
Cash flows from investing activities		
Purchase of property and equipment	(215,857)	(67,165)
Increase in restricted cash	(10)	(500,312)
Net cash flows used in investing activities	(215,867)	(567,477)
Cash flows from financing activities		
Net principal borrowings on line of credit	-	500,000
Principal payments on notes payable - financial institutions	(287,885)	(275,710)
Principal payments on note payable - CCCD	(687,500)	(500,000)
Net cash flows used in financing activities	(975,385)	(275,710)
Net change in cash and cash equivalents	553,739	757,080
Cash and cash equivalents, beginning of year	2,104,215	1,347,135
Cash and cash equivalents, end of year	**$ 2,657,954**	**$ 2,104,215**
Supplemental disclosure for cash flows information		
Interest paid	**$ 255,449**	**$ 272,514**

The accompanying notes are an integral part of these financial statements.

NOTE 1 - GENERAL

The KOCE – TV Foundation dba PBS SoCal (the "Foundation") is a nonprofit organization that holds the broadcast license for KOCE, broadcast channel 50. The Foundation reaches 15.9 million people in 6 counties covering Santa Barbara, Greater Los Angeles including Orange County and the Inland Empire along with the desert cities of the Coachella Valley. The Foundation engages in operational and fundraising support and provides the complete line up of PBS content to the region. The Foundation acquired the broadcast license from the Coast Community College District on November 1, 2004. On January 1, 2011, the Foundation assumed the primary PBS station role for Southern California with the departure of KCET from the PBS family and began operating under the trade name PBS SoCal.

As the region's largest Classroom, Stage for the Arts and most-trusted provider of information, the Foundation is a critical part of the education and arts communities locally. The Foundation's primary source of revenue is grants and contributions from individuals, corporations, foundations and the Corporation for Public Broadcasting ("CPB").

Basis of Presentation
The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements include statements of financial position that present amounts for each of the three classes of net assets: unrestricted, temporarily restricted and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and statements of activities that reflect the changes in those categories of net assets.

Unrestricted net assets are either not restricted by donors or the donor-imposed restrictions have expired. Temporarily restricted net assets include those assets whose use by the Foundation has been limited by donors to later periods of time or for specified purposes. Permanently restricted net assets include those net assets that must be maintained in perpetuity; the investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, for purposes approved by the board of trustees. The Foundation had no permanently restricted net assets as of June 30, 2015 and 2014.

If, subsequent to the period, a restricted gift is made or a donor withdraws previously imposed restrictions, the related net assets are reclassified into the appropriate net asset category. Such reclassifications are reflected in net assets released from restrictions in the accompanying statements of activities when the restrictions are withdrawn.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Foundation considers cash deposited with banks and all short-term, highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash consists of an “Earmarked Fund Account-Money Market” (“EFA”) with a foundation of philanthropic funds and is related to the Foundation’s line of credit arrangement. Funds may be withdrawn up to three times per month or deposited up to two times per month, as defined.

Contributions, Pledges Receivable and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. Such contributions are required to be reported as temporarily restricted support and are reclassified to unrestricted net assets upon expiration of the restriction, usually when the funds are spent. Pledges for future contributions are recognized and recorded as receivables at their estimated realizable value in the year for which they are promised to the Foundation.

The Foundation recognizes unconditional promises to give in the period received at net present value. There were no new pledges that required discounting for the years ended June 30, 2015 and 2014, respectively.

Conditional promises to give that are conditional upon future events or future matching are not recorded until the condition has been satisfied. If funds are received from such gifts, they are recorded as refundable advances until the condition is satisfied. When the condition has been satisfied, the gift is recognized as either unrestricted or temporarily restricted revenue depending on the intent of the donor.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based on quoted market prices. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statements of activities.

Dividend and interest income are accrued when earned. Interest and investment income and dividends are presented net of related investment expenses.

The Foundation's investments consist of equity securities. The Foundation's equity securities are generally publicly traded on national securities exchanges and have readily quoted market values. Such investments are recorded at market value. Purchases and sales of securities are reflected on the trade dates.

Income earned from investments in all net asset classifications is recorded as unrestricted.

Investment in Partnership

In August 2012, the Foundation made a $5,000 capital contribution to Public Television Major Market Group, LLC representing less than a 1% equity ownership in Public Television Major Market Group, LLC. The Foundation's investment in this entity was less than 20% of the total outstanding equity; therefore in accordance with Accounting Standards Codification Topic No. 325, the Foundation adopted the "cost method" of accounting for this investment. Certain factors may indicate that a decrease in value of the investment has occurred which is other than temporary, which then should be recognized. Management has determined that no such conditions existed at June 30, 2015 and 2014.

Intangible Asset – Broadcast License

The Foundation's intangible assets consist of a public broadcasting license which was acquired on November 1, 2004 and stated at fair market value at the date of acquisition. Management has determined that the public broadcasting license has an indefinite life. As of June 30, 2015 and 2014, the broadcast license, net of purchase price allocation discounts of $10,261,660, amounted to $16,238,339, respectively. As of June 30, 2015 and 2014, the accumulated amortization of the broadcast license amounted to $2,298,764, respectively.

Effective for reporting periods beginning after December 31, 2009, intangible assets with indefinite lives should be evaluated annually for indicators of impairment and no longer amortized, in accordance with revised accounting standards. Management has evaluated all intangible assets and notes no indicators of impairment existed during the years ended June 30, 2015 and 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the donation, less accumulated depreciation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the various classes of assets as follows:

Office furniture, fixtures, studio equipment and automobiles	5 to 10 years
Antenna, transmitter and other broadcasting equipment	5 to 20 years
Leasehold improvements	Lesser of useful life or term of lease

Contributions received that are temporarily restricted for capital projects are classified as temporarily restricted net assets; those restrictions expire when the capital projects are placed in service by the Foundation.

The carrying value of permanently idle assets that are not a part of the Foundation's long-term operating assets are segregated and presented in the other assets section of the accompanying statements of financial position. Such assets are not depreciated, but are evaluated for impairment to determine if the carrying value is recoverable.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the change in net assets.

Impairment of Long-Lived Assets

Impairment losses are recorded on long-lived assets and intangible assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management has determined that no indicators of impairment have occurred during the years ended June 30, 2015 and 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets (Continued)
In June 2009, the Foundation converted to digital broadcasting in accordance with federal regulations and is not currently utilizing the analog transmitter, which has been reclassified as an asset not in use in the statement of financial position. Management recorded an impairment loss of $50,000 on the transmitter for the estimated costs of modifying the analog transmitter to accept digital transmissions as of June 30, 2009. Management has determined that no further impairment has occurred during the year ended June 30, 2015 and 2014.

Advances
Amounts collected in advance of services to be provided by the Foundation are reflected as advances in the accompanying statements of financial position.

Production Costs and Grants
Production costs are expensed as incurred. Direct production costs are funded by grants from individuals, corporations and federal, state and other governmental agencies. Amounts received under governmental grants related to production are recorded as advances and recognized as revenue as the related costs are incurred. Grants from individuals and corporations are recorded as contributions and are accounted for as described above.

Amounts received under these arrangements are reported in the accompanying statements of activities as contributions, grants and contracts, along with other contributions received by the Foundation.

Contributed Goods and Services
Contributed goods, services and other non-cash contributions are reflected in the accompanying statements at their estimated fair market value in the period received. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by individuals possessing those skills. Other volunteer services that do not meet the criteria are not recognized in the financial statements, as there is no objective basis of deriving their value. For the year ended June 30, 2015 and 2014, the amount of contributed goods and services reported in the accompanying statements of activities amounted to $106,474 and $59,300, respectively.

Functional Allocation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Foundation expenses advertising and promotional costs as incurred. Advertising expenses for the years ended June 30, 2015 and 2014 totaled approximately $3,395 and $0, respectively.

Income Taxes

The Foundation is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Foundation has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic No. 740, *Income Taxes* ("ASC 740") (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*). ASC 740 clarifies the accounting for uncertainty in income taxes. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. ASC 740 also provides guidance related to derecognition, classification, interest and penalties, accounting in interim periods and disclosure. As of and for the year ended June 30, 2015, the Foundation had no material unrecognized/derecognized tax benefits or tax penalties or interest.

The following table summarizes the open tax years for each major jurisdiction:

Jurisdiction	Open Tax Years
Federal	2011 - 2014
State	2010 - 2014

Fair Value of Financial Instruments

As defined in FASB Accounting Standards Codification Topic No. 820, *Fair Value Measurements and Disclosures* ("ASC 820"), fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses the market or income approach. Based on this approach, the Foundation utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)
As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace

Level 3 – Unobservable inputs which are supported by little or no market activity

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal years ending June 30, 2015 and 2014, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Financial instruments included in the Foundation's statement of financial position include cash and cash equivalents, investments, pledges receivable, grants receivable, accounts receivable, accounts payable and accrued expenses, line of credit, other current liabilities and notes payable.

The carrying values for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair value due to the short maturity of these instruments. The carrying values of investments are reflected at estimated fair value. The estimated fair value of the Foundation's line of credit and notes payable approximates the carrying values of these liabilities, as these bear interest commensurate with their risks.

Recently Adopted Accounting Pronouncements
In April 2013, the FASB issued ASU No. 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate (a consensus of the FASB Emerging Issues Task Force)*. Amendments within this Update specify how not-for-profit entities should recognize and measure services received from personnel of an affiliate. ASU No. 2013-06 is effective prospectively for fiscal years beginning after June 15, 2014. The adoption of this guidance did not have a material effect on the Foundation's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU No. 2014-09 will be effective for annual reporting periods beginning after December 15, 2018. The Foundation's management is in the process of evaluating the impact of this accounting pronouncement on the Foundation's financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU No. 2014-15 is effective for annual periods ending after December 15, 2016, with early adoption permitted. The Foundation's management is in the process of evaluating the impact of this accounting pronouncement on the Foundation's financial statements.

NOTE 3 - CONCENTRATIONS OF RISK

Cash and Cash Equivalents

The Foundation maintains its cash and cash equivalent balances in several financial institutions that, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category and the combined total insured up to at least $250,000. As of June 30, 2015 and 2014, the Foundation had $2,837,768 and $2,484,587 in excess of the federally insured amounts, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3 - CONCENTRATIONS OF RISK (Continued)

Concentration of Credit Risk

Certain financial instruments held by the Foundation potentially subject the Foundation to concentrations of credit risk. Financial instruments which potentially subject the Foundation to concentrations of credit and market risk consist primarily of cash and cash equivalents and contribution revenues.

Contribution Revenue

The Foundation receives grants from individuals, corporations and federal, state and local governmental agencies. The Foundation has developed long-term relationships with many of its grantors and continually evaluates their financial position to determine the risk of uncollectible grants. In recent history, uncollectible grants have not been significant to the financial position of the Foundation.

For the years ended June 30, 2015 and 2014, there was one donor that accounted for 14% and 18% of contribution revenues, respectively.

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30:

	2015	2014
Less than one year	$ 83,500	$ 116,500
Less discounts to present value	10,881	13,680
Total	**$ 72,619**	**$ 102,820**

The present value of pledges receivable from Board members as of June 30, 2015 and 2014 was $21,848 and $45,241, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

As of June 30, property and equipment consisted of the following:

	2015	2014
Office furniture, fixtures, studio equipment and automobiles	$ 4,320,496	$ 4,250,361
Antenna, transmitter and other broadcasting equipment	1,701,345	1,694,005
Leasehold improvements	1,266,061	1,187,492
	7,287,902	7,131,858
Less accumulated depreciation and amortization	5,319,495	4,720,090
Total	**$ 1,968,407**	**$2,411,768**

For the years ended June 30, 2015 and 2014, depreciation and amortization expenses amounted to $659,218 and $671,901, respectively.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, accounts payable and accrued expenses consisted of the following:

	2015	2014
Accounts payable	$ 766,560	$ 630,726
Accrued vacation	163,418	182,951
Deferred rent	108,994	92,418
Accrued payroll	108,517	-
Accrued interest	19,417	20,418
Other accrued expenses	13,872	26,415
Total	**$ 1,180,778**	**$ 952,928**

NOTE 7 - LINE OF CREDIT

On July 25, 2013, the Foundation entered into a new line of credit agreement with an unrelated third party that allows the Foundation to borrow up to a maximum of $500,000. On August 1, 2013, the Foundation drew down $500,000 on this line of credit and deposited the funds into a restricted EFA (see Note 2). As of June 30, 2015, the unused portion of the line of credit was $0. Borrowings bear interest at prime (3.25% as of June 30, 2015) plus 3% on the used portion of the line of credit when the borrowings are not held in the restricted EFA. Per the terms of the agreement, as long as the funds remain in the restricted EFA, the interest expense is equal to the interest income earned on the restricted EFA. The line of credit matures on July 31, 2016. The line of credit is secured by UCC filings on substantially all assets of the Foundation. As of June 30, 2015, the Foundation was in compliance with their covenants.

Interest expense for this line of credit for the years ended June 30, 2015 and 2014 was $1,252 and $436, respectively.

NOTE 8 - EQUIPMENT LINE OF CREDIT

On October 24, 2011, the Foundation entered into an equipment line of credit agreement with a financial institution that allows the Foundation to borrow up to a maximum of $50,000. As of June 30, 2015, the unused portion of the equipment line of credit was $50,000. Interest on the equipment line of credit is 27.99%. The equipment line of credit matures on October 24, 2016. The line of credit is secured by UCC filings on substantially all assets of the Foundation.

NOTE 9 - NOTES PAYABLE - FINANCIAL INSTITUTIONS

On December 15, 2010, the Foundation entered into two term loans with two financial institutions. The first term loan in the amount of $2,027,305 bears interest at prime (3.25% as of June 30, 2015) plus 3% and required interest only payments until January 1, 2013 and principal installments of $8,000 plus interest payments for the remaining seven years. The note matures on December 14, 2020. As of June 30, 2015 and 2014, the first term loan had an outstanding balance of $1,794,956 and $1,891,305, respectively.

The second term loan in the amount of $2,000,000 bears interest at 6.50% through June 30, 2018 at which time the rate re-sets to the greater of prime plus 3%, or 6.50% for the remaining two and a half years based on a fifteen year amortization schedule. This note payable required monthly principal and interest payments of $17,460. The note matures on December 14, 2020. As of June 30, 2015 and 2014, the second term loan had a balance of $1,790,291 and $1,878,588, respectively.

NOTE 9 - NOTES PAYABLE - FINANCIAL INSTITUTIONS (Continued)

These term loans require Excess Pledge Proceeds, as defined in the agreement, to be deposited and held in a reserve account with the financial institutions. The term loans are secured by UCC filings on substantially all assets of the Foundation.

On October 24, 2011, the Foundation entered into a new note payable agreement with an unrelated third party for $500,000. This note payable required principal and interest payments (at 6.00%) of $9,687 beginning on November 24, 2011. The note matures on October 24, 2016. This note payable agreement is secured by UCC filings on the fixed assets purchased by the Foundation using this note. As of June 30, 2015 and 2014, the note payable had a balance of $157,329 and $260,567, respectively.

Interest expense for these notes for the years ended June 30, 2015 and 2014 was $253,196 and $271,111, respectively.

As of June 30, 2015 and 2014, the Foundation was in compliance with their covenants.

Future minimum annual payments required under these notes payable are as follows:

Year Ending June 30,	
2016	$ 301,875
2017	245,898
2018	205,297
2019	212,617
2020	220,427
Thereafter	2,556,462
Total future payments	3,742,576
Less current portion	301,875
Long-term portion	**$ 3,440,701**

NOTE 10 - NOTE PAYABLE - COAST COMMUNITY COLLEGE DISTRICT

In connection with the purchase of the KOCE Station's broadcasting license and related equipment in November 2004, the Foundation paid $1,300,000 in cash and acquired financing from a financial institution for $6,700,000. The remaining balance was financed by CCCD through a secured, non-interest bearing note payable in the amount of $20,000,000. Imputed interest on the note payable amounts to $10,261,660 based on the equivalent financing rate available to the Foundation at the time of acquisition of LIBOR (2.02% on November 1, 2004) plus 2.75%. For the years ended June 30, 2015 and 2014, the Foundation had amortized $462,995 and $468,423 of the discount to interest expense, respectively.

The note is payable in quarterly cash payments of $125,000 beginning November 1, 2009 for six years and will increase to $187,500 beginning on November 1, 2014 until the note is paid off on August 1, 2034. In addition, during the first seven years of the note payable term, the Foundation made principal payments of $357,143 annually starting on November 1, 2005 or provided programming airtime at a specified rate in lieu of the cash payment.

Future minimum annual payments under this note payable are as follows:

Year Ending June 30,	
2016	$ 750,000
2017	750,000
2018	750,000
2019	750,000
2020	750,000
Thereafter	10,688,500
Total future payments	14,438,500
Less discount on note payable	5,056,437
Total	9,382,063
Less current portion	750,000
Long-term portion	**$ 8,632,063**

NOTE 11 - SUBORDINATED NOTES PAYABLE - PUBLIC BROADCASTING SERVICE

On January 30, 2014, the Foundation entered into a note payable agreement with the Public Broadcasting Service for $4,628,981. The note payable does not require payments until July 1, 2016. The note payable will require monthly principal and interest payments of $207,776 beginning on July 1, 2016. Interest is calculated at prime (3.25% as of June 30, 2015) plus 4%. The note matures on June 30, 2018. This note payable agreement is secured by UCC filings on substantially all assets of the Foundation. This note payable agreement is subordinated to the line of credit and notes payable.

Future minimum annual payments required under this note payable are as follows:

Year Ending June 30,	
2016	$ -
2017	2,230,879
2018	2,398,102
Total future payments	4,628,981
Less current portion	-
Long-term portion	**$ 4,628,981**

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 were available for the following:

	Available June 30, 2014	New Revenues	Released from Restriction	Available June 30, 2015
One Community Campaign	$ 102,820	$ -	$ (30,201)	$ 72,619
CPB Ready to Learn	-	75,926	(75,926)	-
CPB American Graduate	-	60,000	(60,000)	-
CPB Full Service Station Phase III	-	200,000	(200,000)	-
CPB Full Service Station Phase IV	20,631	96,000	(116,631)	-
CPB Spectrum Auction Planning	-	10,000	(10,000)	-
Jill Torres Segerstrom Project	-	30,000	(15,138)	14,862
Sabina's World of Travel	-	10,000	-	10,000
Total	**$ 123,451**	**$ 481,926**	**$ (507,896)**	**$ 97,481**

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Lease Commitments
The Foundation leases certain transmitters, equipment and facilities under non-cancelable lease agreements. The leases expire on various dates through March 2023 and require minimum monthly payments of $89,041.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments (Continued)
Future minimum payments under non-cancelable leases with initial terms of one year or more at June 30, 2015 were as follows:

Year Ending June 30,	Transmitter Leases	Equipment Leases	Facilities Leases	Total
2016	$ 76,000	$ 274,360	$ 694,142	$ 1,044,502
2017	-	283,624	678,185	961,809
2018	-	293,258	695,190	988,448
2019	-	303,277	705,968	1,009,245
2020	-	290,335	661,179	951,514
Thereafter	-	777,968	304,448	1,082,416
Total	**$ 76,000**	**$ 2,222,822**	**$ 3,739,112**	**$ 6,037,934**

For the years ended June 30, 2015 and 2014, total transmitter, equipment and facilities and equipment rent expense amounted to $1,035,064 and $1,013,161, respectively.

Reimbursement of Shared Costs
The Foundation subleases bandwidth from their broadcasting license to an unrelated third party. The Foundation is reimbursed by the third party for all direct and certain indirect costs incurred for the use of the bandwidth. During the years ended June 30, 2015 and 2014, the Foundation received $152,489 and $151,179, respectively, in reimbursed costs, which are recorded as an offset to broadcasting expenses in the accompanying statements of activities.

Litigation
The Foundation, from time to time, is involved in certain legal matters which arise in the normal course of operations. Management believes that the resolution of such matters will not have a material adverse effect on the financial position of the Foundation.

NOTE 14 - RETIREMENT PLAN

The Foundation has a 401(k) plan (the “Plan”) that covers all eligible employees, as defined in the Plan agreement. The Foundation’s contribution to the Plan is based on a certain percentage of the active participants’ compensation and is paid bi-weekly through payroll. For the years ended June 30, 2015 and 2014, the Foundation’s contribution expenses amounted to $107,841 and $96,901, respectively. For the years ended June 30, 2015 and 2014, the Foundation’s administrative expenses amounted to $5,601 and $5,523, respectively.

NOTE 15 - SUBSEQUENT EVENTS

Management evaluated all activity through October 26, 2015 (the issue date of the financial statements) and concluded that other than described above, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.